

## REQUEST FOR RELEASE OF DEVELOPER FUNDS TO CURE DELINQUENCY

April 17, 2019

To: Rancho Murieta Community Services District – Board of Directors/General Manager/General Counsel

From: John M Sullivan, Manager  
Murieta Industrial Park, LLC  
Murieta Highlands, LLC  
Murieta Lakeside Properties, LLC

I am providing this proposal as suggested by Mark Martin as a follow up to the discussion held at the Finance Committee meeting on April 4<sup>th</sup> and my subsequent side bar discussion with Dick Shanahan, Director Maybee and Mark Martin (GM).

We have previously reported in our semi annual statements that the above entities were delinquent in payment of CFD2014-1 bonds. In 2014, when the Rancho North Properties FSA was completed, we anticipated approvals from Sacramento County for re-zoning and parcel maps to be completed by mid-year 2016. Development, as you know has not started on any of the eight villages proposed in our application to the County; in fact, the environmental document and hearings are still not underway.

The water treatment plant was completed with a capacity of 4,000,000 gallons, in addition to the 2,000,000 gallon per day capacity of Plant #2 which continues to operate along side plant #1. Part of the funding was \$540,000 currently held by the District to fund 1,000,000 gallons of capacity for Rancho North added to Plant #1, by adding flights of filters into the existing plant basins. These funds are not part of the bond reserves but are separately held by the District for Rancho North's future added capacity. The FSA requires us to give 1 year minimum notice to add any portion of this capacity. It isn't clear at this point if 1,000,000 gallons or some reduced capacity would ever be needed. We respectfully request that the District release those funds to help cure the bond delinquencies.

### WHY WOULD IT BE REASONABLE TO RELEASE THESE FUNDS

Even during the busy construction years in Rancho Murieta there were between 125 and 175 homes built per year. That means that it will be at least another five to six years before any expansion of the existing plant #1 is required or requested and close to full build-out if the District decides that plant #2 should continue to operate.

The demand on the combined water plants #1 and #2 typically peaks in July or August each year, when seasonal irrigation demand increases dramatically. Last year during the peak August season plant #1 was operated at 1.44mgd and plant #2 at 1.00mgd. That peak 2018 demand was only about 40% of the combined plants capacity.

The residential and commercial water consumption report that is in the monthly Board packet reports 2546 residential hook-ups. If you ignore the commercial demand for a moment and calculate the total demand within the District against the peak 2018 demand of 2.44/mgd you get about 950 gallons per day per occupied house. This is peak demand. That means that it would take another 2,484 homes with

similar demand before the treatment capacity is 80% used. If you take water treatment plant #2 permanently offline, plant #1 still provides enough capacity for service to the next 800 homes. Additionally, with the advent of 20x2020 (an overall mandated reduction of 20% throughout the State), and recent State of California legislation mandating more and more efficiencies within the District's boundaries, it is clear that the peaking and total water demand on the water treatment capacity within Rancho Murieta will decrease over time. And when recycle water is available the average use per house will also decrease, although not proportionally (only on those future homes served with purple pipe).

We propose amending the Rancho North FSA to release our \$540,000, for the express purpose of curing the delinquencies. The FSA has been amended before and is not a CEQA document.

We would coordinate with District counsel to accomplish the funding of the past due property taxes by year, such that second half 2017 and 2018 payments are fully resolved. As we stated at the Finance committee meeting, our goal is to be current by June 30<sup>th</sup>. With your assistance I'm confident that can be accomplished.

As I indicated in my remarks to the Finance Committee, the County does not take property tax payments out of sequence, so there are other amounts due in addition to the CFD 2014 bonds. The payment and acceptance of the parcel tax payments must be done in sequence. To facilitate some additional flexibility, we would agree to add the roughly \$195,000 of additional infrastructure reimbursements due to us to the \$540,000 to facilitate payment of these additional amounts due.

Your cooperation and assistance would be greatly appreciated.